

Message Text

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ACTION NEA-06

INFO OCT-01 ISO-00 ABF-01 A-01 OMB-01 TRSE-00 FSE-00 AID-05

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FM AMEMBASSY TUNIS

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UNCLAS SECTION 1 OF 2 TUNIS 6319/1

FOR NEA/AFN MACK

E.O. 11652: N/A

TAGS: AFIN, EFIN, TS

SUBJECT: DESIGNATION OF CFCT AS DEPOSITORY

REF: TUNIS 4556

1. SUMMARY: EMBASSY HOPES CFCT CAN BE DESIGNATED AS DEPOSITORY FOR SMALL AMOUNT USG-OWNED SURPLUS DINARS. WHILE AS IN MOST EUROPEAN COUNTRIES SUCH DEPOSITS ARE NOT GUARANTEED BY GOVERNMENT, GOT HAS EXTENSIVE REGULATIONS AND CONTROLS LIMITING BANK OPERATIONS TO RELATIVELY SAFE PRACTICES. WE BELIEVE PLACING OF DEPOSIT WITH CFCT IS IMPORTANT AS EARNEST OF OUR FREQUENT REITERATION THAT USG POLICY IS TO SUPPORT INDIGENOUS PRIVATE ENTERPRISE IN LDC'S. END SUMMARY.

2. RACHID BEN YEDDER, PRESIDENT OF CREDIT FONCIER AND COMMERCIAL DE TUNISIE (CFCT), HAS AGAIN EXPRESSED HOPE THAT HIS BANK CAN BE DESIGNATED AS DEPOSITORY FOR AT LEAST SOME OF OVER NINE MILLION USG-OWNED SURPLUS DINARS NOW ON DEPOSIT IN VARIOUS TUNISIAN GOVERNMENT BANKS AND PRIVATE BANKS. REGARDING QUESTION RAISED STATE 153822, BEN YEDDER PROVIDED FOLLOWING INFORMATION TO SUPPLEMENT THAT CONVEYED REFTEL AND PROVIDED DIRECTLY BY HIM TO TREASURY OFFICIAL HE MET DURING WASHINGTON VISIT IN MID-JULY:

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(A) VIRTUALLY NO CHANCE OF BANK FAILURE IN TUNISIA BECAUSE OF TIGHT GOT CONTROL EXERCISED THROUGH CENTRAL BANK. GOVERNMENT SETS STRICT LIMITS ON LOAN AND DEPOSIT RATIOS AND ON PROPORTION OF DEPOSITS AND LOANS WHICH ARE TO BE ON LONG-TERM BASIS. LOCAL BANKS CANNOT ENGAGE IN FOREIGN EXCHANGE OPERATIONS ABROAD BUT ARE ONLY PERMITTED TO BUY AND SELL FOREX THROUGH CENTRAL BANK ON DAILY BASIS WITH FOREIGN EXCHANGE BUYING AND SELLING RATES SET UP BY CENTRAL BANK. BANKS CAN ONLY OBTAIN ADDITIONAL SHORT-TERM FUNDS OR PLACE EXCESS FUNDS THROUGH CENTRAL BANK: INTERBANK DISCOUNTING OR REDISCOUNTING IS NOT PERMITTED.

(B) CFCT IN STRONG FINANCIAL POSITION, PARTIALLY BECAUSE IT IS ONLY WHOLLY TUNISIAN-OWNED PRIVATE BANK. SINCE BANKS WITH GOVERNMENT PARTICIPATION SERVE PRIMARILY GOVERNMENT AGENCIES AND THOSE WITH FOREIGN BANK PARTICIPATION SERVE FOREIGN BUSINESSES, RAPIDLY EXPANDING TUNISIAN BUSINESS COMMUNITY TURNING TO GREAT EXTENT TO CFCT TO DEPOSIT FUNDS AND TO OBTAIN BUSINESS CREDIT. ONE-THIRD CFCT DEPOSITS ARE FOR OVER ONE YEAR. MOST OF OUTSTANDING CREDIT IS IN WELL-SECURED FOREIGN TRADE OPERATIONS OF LESS THAN ONE YEAR MATURITY WHILE 14 PER CENT OBLIGATORY 5-YEAR LOANS CAN BE REDISCOUNTED WITH CENTRAL BANK UP TO 80 PER CENT OF VALUE. LARGE LONG-TERM LENDING BY CFCT IS EFFECTED IN COOPERATION OTHER BANKS AS PART OF BANKING "POOL" WHICH HELPS ASSURE SECURITY OF LOANS AND MINIMIZES EXPOSURE OF INDIVIDUAL BANK.

(C) ALTHOUGH TUNISIA UNTIL RECENTLY HAS GONE THROUGH ECONOMIC DIFFICULTIES, THERE HAS NEVER BEEN A BANK FAILURE. IMMEDIATELY AFTER INDEPENDENCE, HOWEVER, GOT LIQUIDATED ONE OR TWO FOREIGN BANKS, WITH LARGE GOVERNMENT BANK STB PAYING OFF DEPOSITORS IN FULL AND COLLECTING OUTSTANDING LOANS AS THEY CAME DUE. WITH PRESENT GOOD ECONOMIC PROSPECTS, BANKS SHOULD HAVE LITTLE FINANCIAL DIFFICULTY IN TUNISIA, PARTICULARLY SINCE GOT IMPOSING STRICT LIMITS ON

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EXPANSION OF BANKING SECTOR.

(D) IN UNLIKELY EVENT OF BANK FAILURE, GOT WOULD ASSURE THAT 38 PER CENT OF DEPOSITS CITED REFTEL WOULD BE DISTRIBUTED TO DEPOSITORS. GOT WOULD ALSO INTERVENE TO COLLECT OUTSTANDING CREDIT AND TAKE NECESSARY STEPS TO PROTECT DEPOSITORS. USG WOULD HAVE EQUAL RECOURSE AS OTHER DEPOSITORS AGAINST CFCT.

(E) U.S. EQUITY PARTICIPATION IN THREE PRIVATE BANKS IN WHICH U.S. - OWNED FUNDS ARE NOW DEPOSITED IS SO MINUTE AS TO OFFER NO MORE SECURITY OF DEPOSITS THAN THAT PROVIDED BY CFCT. DEPOSITS IN CFCT PROBABLY AS SECURE AS THOSE IN THESE THREE BANKS SINCE, IN EVENT OF THEIR FAILURE, IT IS QUESTIONABLE THAT RECOURSE AGAINST OTHER FOREIGN BANK OWNERS OF THESE TUNISIAN BANKS WOULD PROVIDE MUCH RELIEF.

3. AS POINTED OUT TUNIS 904, I BELIEVE IT IS IN U.S. INTERESTS FOR SMALL PORTION OF \$22 MILLION U.S.- OWNED LOCAL CURRENCY TO BE PLACED IN CFCT IN ADDITION TO SIX OTHER DEPOSITORIES. AS ONLY WHOLLY TUNISIAN- OWNED PRIVATE BANK HERE, CFCT IS CONCENTRATING ON MEETING NEEDS OF EXPANDING INDIGENOUS PRIVATE ENTERPRISE. DENIAL OF CFCT DESIRE FOR TOKEN PLACEMENT OF USG DEPOSITS AND CONCENTRATION OF ALL OUR FUNDS IN GOT OR FOREIGN PRIVATE BANKS APPEAR INCONSISTENT WITH U.S. POLICY TO ENCOURAGE AND SUPPORT LOCAL PRIVATE UNCLASSIFIED

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ENTERPRISE ABROAD. CFCT HEAD, BEN YEDDER, RECENTLY COMPLETED U.S. VISIT AT INVITATION USG AND WISHES PURSUE MANY OPENINGS FOR GREATER ECONOMIC COOPERATION WITH U.S. PRIVATE BUSINESS. HE BELIEVES BEING DEPOSITORY FOR SOME USG OFFICIAL DEPOSITS WILL BUILD UP U.S. BUSINESS CONFIDENCE IN CFCT. IN ADDITION, CFCT PROVIDES IMPORTANT BANKING SERVICES TO U.S. PRIVATE AND OFFICIAL COMMUNITY NOT AVAILABLE FROM OTHER BANKS. WHILE CFCT IS DYNAMIC, ENTERPRISING BANK EAGER TO EXPAND ITS OPERATIONS IN DEVELOPING TUNISIAN

ECONOMY, WE TEND TO AGREE THAT GOT CONTROLS AND
CONSERVATIVE BANKING REGULATIONS SHOULD VIRTUALLY
PREVENT POSSIBILITY OF BANK FAILURE. POSSIBLE DRASTIC
DETERIORATION OF TUNISIAN ECONOMIC PROSPECTS WOULD
BE APPARENT WELL IN ADVANCE AND PERMIT TRANSFER OF
USG DINARS TO OTHER INSTITUTION IF NECESSARY.

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